

CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

21 OCT 1969

Mr. Wilfred H. Rommel
Assistant Director for Legislative Reference
Bureau of the Budget
Washington, D. C. 20503

Dear Mr. Rommel:

This submits proposed legislation in accordance with Bureau of the Budget Circular No. A-19, revised. Enclosed are four copies of a draft bill, "To amend the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, as amended, and for other purposes." Also enclosed are copies of a sectional analysis, a comparison with existing law, and a draft of the letter of transmittal to the President of the Senate and the Speaker of the House of Representatives.

The proposed legislation would bring the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, as amended, into conformity with changes made by P.L. 91-93 in the Civil Service retirement system as follows:

- (a) Section 1 increases contribution rates.
- (b) Section 2 reduces the period for establishing "average basic salary." It also increases the annuities of surviving children, changes the provisions concerning annuity payments upon remarriage or upon dissolution of marriage and authorizes credit for accumulated sick leave.
- (c) Section 3 preserves additional service credit for survivors of participants retired for disability.
- (d) Section 4 increases survivorship protection in cases of death in service. It also establishes a minimum survivor annuity.

(e) Section 5 adds 1 percent to each cost-of-living adjustment effected under the system. It also assures surviving child annuities are covered by the cost-of-living provisions of the system.


(f) Section 6 provides effective dates in phase with those established for the Civil Service retirement system.

The provisions of the Civil Service retirement system changed by P. L. 91-93 form the basis for comparable provisions in the CIA Retirement Act. Although the CIA Retirement Act covers only a portion of our employees (a majority are covered by the Civil Service retirement system), the effectiveness of the CIA Retirement Act as a management tool and the Agency's overall retirement program will be adversely affected if the CIA Retirement Act does not keep pace with the Civil Service system.

Advice is requested as to whether there is any objection to the submission of the proposed legislation to the Congress from the standpoint of the Administration's program.

Sincerely,

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John M. Maury
Legislative Counsel

Enclosures

A BILL

To amend the Central Intelligence Agency Retirement Act of 1964
for Certain Employees, as amended, and for other purposes.

1 Be it enacted by the Senate and House of Representatives
2 of the United States of America in Congress assembled,

3 SECTION 1. Section 211 (a) of the Central Intelligence
4 Agency Retirement Act of 1964 for Certain Employees, as
5 amended, (78 Stat. 1043; 50 U.S.C. 403 note) is further
6 amended by striking out "Six and one-half per centum" in
7 the first sentence and inserting "Seven per centum".

8 SEC. 2. Section 221 of the Central Intelligence Agency
9 Retirement Act (50 U.S.C. 403 note) is amended:

10 (a) by striking out in paragraph (a) "five consecutive
11 years of service," and inserting "three consecutive years
12 of service [or, in the case of an annuity computed under
13 section 232 and based on less than three years, over the
14 total service],";

1 (b) by striking out from the first sentence of paragraph (b)
2 "or remarriage of such surviving wife or husband" and inserting
3 "or upon remarriage prior to attaining age sixty of such surviving
4 wife or husband";

5 (c) by striking out in paragraph (c) the items "40 per centum",
6 "\$600", "\$1,800", "50 per centum", "\$720", and \$2,160", and
7 inserting "60 per centum", "\$900", "\$2,700", "75 per centum",
8 "\$1,080", and "\$3,240";

9 (d) by adding new paragraph (g):

10 "(g) In the case of remarriage on or after age sixty an
11 annuity shall be payable if remarriage has occurred on or after
12 July 18, 1966, and if the surviving wife or husband, immediately
13 before such remarriage, was receiving an annuity from the
14 Central Intelligence Agency Retirement and Disability Fund.
15 The annuity of a surviving spouse terminated as a result of
16 remarriage which occurred prior to age sixty and on or after
17 July 18, 1966, shall be restored at the same rate commencing
18 on the day the remarriage is dissolved by death, annulment,
19 or divorce, if--

1 "(1) the surviving spouse elects to receive this annuity
2 instead of a survivor benefit to which he may be entitled, under
3 this or another retirement system for Government employees,
4 by reason of the remarriage; and

5 "(2) any lump sum paid on termination of the annuity is
6 returned to the fund.

7 "No annuity shall be paid by reason of this paragraph for any
8 period prior to October 20, 1969. No annuity shall be terminated
9 solely by reason of the enactment of this paragraph."; and

10. (e) by adding new paragraph (h):

11 "(h) In computing an annuity under this section the service
12 credit of a participant who retires, except under section 231,
13 on an immediate annuity or dies leaving a survivor or survivors
14 entitled to annuity includes, without regard to the limitations
15 imposed by paragraph (a), the days of unused sick leave to his
16 credit under a formal leave system, except that these days will
17 not be counted in determining average basic salary or annuity
18 eligibility. The contribution specified in section 252 shall not
19 be required for days of unused sick leave credited under this
20 paragraph.".

1 SEC. 3. Section 231 (a) of the Central Intelligence Agency
2 Retirement Act (50 U.S. C. 403 note) is amended by striking
3 ", but this provision shall not increase the annuity of any survivor"
4 from the last sentence.

5 SEC. 4. (a) Section 232 (b) of the Central Intelligence Agency
6 Retirement Act (50 U.S. C. 403 note) is amended:

7 (1) by striking "five years" and inserting "18 months";

8 (2) by inserting, after "221 (a)", ", except that the computa-
9 tion of the annuity of the participant under such section shall be
10 at least the smaller of (i) 40 per centum of the participant's
11 average basic salary, or (ii) the sum obtained under such section
12 after increasing the participant's service of the type last performed
13 by the difference between his age at the time of death and age sixty";
14 and

15 (3) by striking "remarriage of the widow or dependent widower"
16 and inserting "upon remarriage prior to attaining age sixty of the
17 widow or dependent widower (subject to the payment and restoration
18 provisions of section 221 (g))".

19 (b) Sections 232 (c) and (d) are amended by striking "five years"
20 and inserting "18 months".

1 SEC. 5. Section 291 of the Central Intelligence Agency
2 Retirement Act (50 U.S.C. 403 note) is amended:

3 (a) by inserting "1 per centum plus" immediately after the
4 word "by" in paragraph (a) (2); and

5 (b) by amending paragraphs (b) (2) and (b) (3) to read:

6 "(2) For the purpose of computing the annuity of a child
7 under section 221 (c) that commences after October 31, 1969,
8 the items \$900, \$1,080, \$2,700, and \$3,240 appearing in
9 section 221 (c) shall be increased by the total per centum
10 increases allowed and in force under this section on or after
11 such day, and, in case of a deceased annuitant, the items 60
12 per centum and 75 per centum appearing in section 221 (c) shall
13 be increased by the total per centum allowed and in force to
14 the annuitant under this section on or after such day.
15 "(3) The annuity of each surviving child receiving an annuity
16 under section 221 immediately prior to November 1, 1969, shall
17 be recomputed effective November 1, 1969, in accordance with
18 paragraph (b) (2). No increase allowed and in force prior to
19 such date under section 291 shall be included in the recomputation
20 of any such annuity, and this paragraph shall not operate to reduce
21 any annuity."

1 SEC. 6. (a) The amendments made by section 1 shall be
2 become effective at the beginning of the first applicable pay period
3 beginning after December 31, 1969.

4 (b) The amendments made by sections 3, 4, and 2, with the
5 exception of 2 (c), shall become effective October 20, 1969.

6 (c) The amendments made by sections 2 (c) and 5 shall
7 become effective November 1, 1969.

8 (d) The amendments made by sections 2 (a), 2 (e), 3, and
9 4 (a) (1)-(2) shall not apply in the cases of persons retired or
10 otherwise separated prior to October 20, 1969, and the rights
11 of such persons and their survivors shall continue in the same
12 manner and to the same extent as if such sections had not been
13 enacted.

SECTIONAL ANALYSIS

Section 1 increases both the Agency's and the participant's contributions to the Fund from six and one-half percent to seven percent of basic salary.

Section 2(a) revises the formula for computing annuities by basing "average basic salary" either on the highest three consecutive years rather than the highest five consecutive years, or over a shorter period, where applicable, to obtain the increased survivor protection afforded by section 4.

Section 2(b) makes necessary language change to conform to the new provisions on remarriage spelled out in section 2(d).

Section 2(c) increases the annuities of children of deceased annuitants.

Section 2(d) brings the provisions of the CIA retirement system into line with those of the Civil Service system concerning annuity payments to a surviving spouse upon remarriage or upon dissolution of such marriage by death, annulment, or divorce.

Section 2(e) authorizes the crediting of accumulated sick leave for annuity computation purposes.

Section 3 preserves for survivors of participants retired for disability the additional service credit which may have been granted to such retirees.

Section 4 increases survivorship protection in death in service cases: by reducing the minimum length of service requirement from five years to 18 months; by establishing a minimum survivor annuity; and by incorporating the provisions in section 2 relating to remarriage.

Section 5(a) adds 1 percent to each cost-of-living adjustment effected under the cost-of-living provision of the Act.

Section 5(b) assures that the new annuities for surviving children will be adjusted in accordance with the cost-of-living provisions of the Act.

Section 6 provides effective dates in phase with similar amendments approved for the Civil Service retirement system.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, there is herewith printed in parallel columns the text of provisions of existing law which would be repealed or amended by the various provisions of the bill as reported.

EXISTING LAW

* * * * *

Central Intelligence Agency
Retirement Act of 1964 for
Certain Employees, as amended,
(78 Stat. 1043; 50 U.S.C. 403
note)

Sec. 211. (a) Six and one-half per centum of the basic salary received by each participant shall be contributed to the fund for the payment of annuities, cash benefits, refunds and allowances. An equal sum shall also be contributed from the respective appropriation or fund which is used for payment of his salary. The amounts deducted and withheld from basic salary together with the amounts so contributed from the appropriation or fund shall be deposited by the Agency to the credit of the fund.

THE BILL AS REPORTED

* * * * *

Sec. 1. Section 211 (a) of the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, as amended, (78 Stat. 1043; 50 U.S.C. 403 note) is further amended by striking out "Six and one-half per centum" in the first sentence and inserting "Seven per centum".

Sec. 221. (a) The annuity of a participant shall be equal to 2 per centum of his average basic salary for the highest five consecutive years of service, for which full contributions have been made to the fund, multiplied by the number of years, not exceeding thirty-five, of service credit obtained in accordance with the provisions of sections 251 and 252. In determining the aggregate period of service upon which the annuity is to be based, the fractional part of a month, if any, shall not be counted.

(b) At the time of retirement, any married participant may elect to receive a reduced annuity and to provide for an annuity payable to his wife or her husband, commencing on the date following such participant's death and terminating upon the death or remarriage of such surviving wife or husband. The annuity payable to the surviving wife or husband after such participant's death shall be 55 per centum of the amount of the participant's annuity computed as prescribed in paragraph (a) of this section, up to the full amount of such annuity specified by him as the base for the survivor benefits. The annuity of the participant making such election shall be reduced by $2\frac{1}{2}$ per centum of any amount up to \$3,600 he specified as the base for the survivor benefit plus 10 per centum of any amount over \$3,600 so specified.

Sec. 2. Section 221 of the Central Intelligence Agency Retirement Act (50 U.S.C. 403 note) is amended:

(a) by striking out in paragraph (a) "five consecutive years of service," and inserting "three consecutive years of service /or, in the case of an annuity computed under section 232 and based on less than three years, over the total service/, ";

(b) by striking out from the first sentence of paragraph (b) "or remarriage of such surviving wife or husband" and inserting: "or upon remarriage prior to attaining age sixty of such surviving wife or husband";

(c) (1) If an annuitant dies and is survived by a wife or husband and by a child or children, in addition to the annuity payable to the surviving wife or husband, there shall be paid to or on behalf of each child an annuity equal to the smallest of: (i) 40 per centum of the annuitant's average basic salary, as determined under paragraph (a) of this section, divided by the number of children; (ii) \$600; or (iii) \$1,800 divided by the number of children.

(2) If an annuitant dies and is not survived by a wife or husband but by a child or children, each surviving child shall be paid an annuity equal to the smallest of: (i) 50 per centum of the annuitant's average basic salary, as determined under paragraph (a) of this section, divided by the number of children; (ii) \$720; or (iii) \$2,160 divided by the number of children.

(c) by striking out in paragraph (c) the items "40 per centum", "\$600", "\$1,800", "50 per centum", "\$720", and "\$2,160", and inserting "60 per centum", "\$900", "\$2,700", "75 per centum", "\$1,080", and "\$3,240";

(d) by adding new paragraph (g):

"(g) In the case of remarriage on or after age sixty an annuity shall be payable if remarriage has occurred on or after July 18, 1966, and if the surviving wife or husband, immediately before such remarriage, was receiving an annuity from the Central Intelligence Agency Retirement and Disability Fund. The annuity of a surviving spouse terminated as a result of remarriage which occurred prior to age sixty and on or after July 18, 1966, shall be restored at the same rate commencing on the day the remarriage is dissolved by death, annulment, or divorce, if--

"(1) the surviving spouse elects to receive this annuity instead of a survivor benefit to which he may be entitled, under this or another retirement system for Government employees, by reason of the remarriage; and

"(2) any lump sum paid on termination of the annuity is returned to the fund.

"No annuity shall be paid by reason of this paragraph for any period prior to October 20, 1969. No annuity shall be terminated solely by reason of the enactment of this paragraph."; and

(e) by adding new paragraph (h):

"(h) In computing an annuity under this section the service credit of a participant who retires, except under section 231, on an immediate annuity or dies leaving a survivor or survivors entitled to annuity includes, without regard to the limitations imposed by paragraph (a), the days of unused sick leave to his credit under a formal leave system, except that these days will not be counted in determining average basic salary or annuity eligibility. The contribution specified in section 252 shall not be required for days of unused sick leave credited under this paragraph."

Sec. 231. (a) Any participant who has five years of service credit toward retirement under the system, excluding military or naval service that is credited in accordance with provisions of section 251 or 252 (a) (2), and who becomes totally disabled or incapacitated for useful and efficient service by reason of disease, illness, or injury not due to vicious habits, intemperance, or willful misconduct on his part, shall, upon his own application or upon order of the Director, be retired on an annuity computed as prescribed in section 221. If the disabled or incapacitated participant is under sixty and has less than twenty years of service credit toward his retirement under the system at the time he is retired, his annuity shall be computed on the assumption that he has had twenty years of service, but the additional service credit that may accrue to a participant under this provision shall in no case exceed the difference between his age at the time of retirement and age sixty, but this provision shall not increase the annuity of any survivor.

Sec. 232. (b) If a participant, who has at least five years of service credit toward retirement under the system, excluding military or naval service that is credited in accordance with the provisions of section 251 or 252 (a) (2), dies before separation or retirement from the Agency and is survived by a widow or a dependent widower, as defined in section 204, such widow or dependent widower shall be entitled to an annuity equal to 55 per centum of the annuity computed in accordance with the provisions of section 221 (a).

Sec. 3. Section 231 (a) of the Central Intelligence Agency Retirement Act (50 U.S.C. 403 note) is amended by striking ", but this provision shall not increase the annuity of any survivor" from the last sentence.

Sec. 4. (a) Section 232 (b) of the Central Intelligence Agency Retirement Act (50 U.S.C. 403 note) is amended:

(1) by striking "five years" and inserting "18 months";

(2) by inserting, after "221 (a)", ", except that the computation of the annuity of the participant under such section shall

The annuity of such widow or dependent widower shall commence on the date following death of the participant and shall terminate upon death or remarriage of the widow or dependent widower, or upon the dependent widower's becoming capable of self-support.

(c) If a participant who has at least five years of service credit toward retirement under the system, excluding military or naval service that is credited in accordance with the provisions of section 251 or 252 (a) (2), dies before separation or retirement from the Agency and is survived by a wife or a husband and a child or children, each surviving child shall be entitled to an annuity computed in accordance with the provisions of section 221 (c) (1). The child's annuity shall begin and be terminated in accordance with the provisions of section 221 (e). Upon the death of the surviving wife or husband or termination of the annuity of a child, the annuities of any remaining children shall be recomputed and paid as though such wife or husband or child had not survived the participant.

be at least the smaller of (i) 40 per centum of the participant's average basic salary, or (ii) the sum obtained under such section after increasing the participant's service of the type last performed by the difference between his age at the time of death and age sixty"; and

(3) by striking "remarriage of the widow or dependent widower" and inserting "upon remarriage prior to attaining age sixty of the widow or dependent widower (subject to the payment and restoration provisions of section 221 (g))".

(b) Sections 232 (c) and (d) are amended by striking "five years" and inserting "18 months".

(d) If a participant who has at least five years of service credit toward retirement under the system, excluding military or naval service that is credited in accordance with the provisions of section 251 or 252 (a) (2), dies before separation or retirement from the Agency and is not survived by a wife or husband, but by a child or children, each surviving child shall be entitled to an annuity computed in accordance with the provisions of section 221 (c) (2). The child's annuity shall begin and terminate in accordance with the provisions of section 221 (e). Upon termination of the annuity of a child, the annuities of any remaining children shall be recomputed and paid as though that child had never been entitled to the benefit.

Sec. 291. (a) On the basis of determinations made by the Director pertaining to per centum change in the Price Index, the following adjustments shall be made: . . .

(2) Each month beginning with November 1966, the Director shall determine the per centum change in the price index. Effective the first day of the third month which begins after the price index shall have equaled a rise of at least 3 per centum for three consecutive months over the price index for the base month, each annuity payable from the fund which has a commencing date not later than such effective date shall be increased by the per centum rise in the price index (calculated on the highest level of the price index during the three consecutive months) adjusted to the nearest one-tenth of 1 per centum.

Sec. 5. Section 291 of the Central Intelligence Agency Retirement Act (50 U.S.C. 403 note) is amended:

(a) by inserting "1 per centum plus" immediately after the word "by" in paragraph (a) (2); and

(b) Eligibility for an annuity increase under this section shall be governed by the commencing date of each annuity payable from the fund as of the effective date of an increase, except as follows: ...

(2) Effective from its commencing date, an annuity payable from the fund to a child under section 221 (c), which annuity commences the day after annuitant's death and after January 1, 1967, shall be increased by (a) 2 per centum if the annuity from which it is derived commenced on or before January 1, 1966, or (b) 1 per centum if the annuity from which it is derived commenced on or between January 2, 1966, and January 1, 1967.

(3) For the purposes of computing an annuity which commences after January 1, 1967, to a child under section 221 (c), the items \$600, \$720, \$1,800, and \$2,160 appearing in section 221 (c) shall be increased by 10.2 per centum plus the total per centum increase allowed and in force under section 291 (a) (2) for employee annuities, and, in the case of a deceased annuitant, the items 40 per centum and 50 per centum appearing in section 221 (c) shall be increased by the total per centum increase allowed and in force under this section to the annuitant at death; or if death occurred between January 1, 1967, and date of enactment, the per centum increase the annuitant would have received.

(b) by amending paragraphs (b) (2) and (b) (3) to read:

"(2) For the purpose of computing the annuity of a child under section 221 (c) that commences after October 31, 1969, the items \$900, \$1,080, \$2,700, and \$3,240 appearing in section 221 (c) shall be increased by the total per centum increases allowed and in force under this section on or after such day, and, in case of a deceased annuitant, the items 60 per centum and 75 per centum appearing in section 221 (c) shall be increased by the total per centum allowed and in force to the annuitant under this section on or after such day.

"(3) The annuity of each surviving child receiving an annuity under section 221 immediately prior to November 1, 1969, shall be recomputed effective November 1, 1969, in accordance with paragraph (b) (2). No increase allowed and in force prior to such date under section 291 shall be included in the recomputation of any such annuity, and this paragraph shall not operate to reduce any annuity."

DRAFT

The Honorable Spiro T. Agnew
President of the Senate
Washington, D.C. 20510

My dear Mr. President:

This letter transmits for the consideration of the Congress a proposed draft bill to amend the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, as amended. The proposed bill brings the CIA Retirement Act into consonance with certain provisions of the Civil Service retirement system.

Public Law 91-93, approved October 20, 1969, made significant improvements in the benefits of the Civil Service retirement system. Contribution rates were increased also. The improvement in benefits includes using "high three" instead of "high five" for computing annuities, permitting accumulated sick leave to be added in the computation of annuities, adding 1 percent to cost-of-living adjustment for annuitants, making the remarriage provisions partially retroactive, and improving survivor benefits.

A number of key features in the CIA Retirement Act, as passed in 1964, were adopted from provisions of law then applicable to Civil Service retirees. These features included the provisions amended by P. L. 91-93.

The reasons for changing these benefits under the Civil Service retirement system apply with equal force to the CIA system. This CIA retirement system would be completely undermined if it did not keep pace with the improved benefits and effective dates of P. L. 91-93. On the other hand, enactment of the proposed bill will assure that appropriate provisions of the CIA retirement system remain in line with those of the Civil Service system.

We would appreciate early and favorable consideration of the proposed bill. The Bureau of the Budget has advised that there is no objection to presenting the proposed bill to the Congress from the standpoint of the Administration's program.

Sincerely,

Richard Helms
Director

Enclosure

DRAFT

The Honorable John W. McCormack
Speaker of the House of Representatives
Washington, D. C. 20515

My dear Mr. Speaker:

This letter transmits for the consideration of the Congress a proposed draft bill to amend the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, as amended. The proposed bill brings the CIA Retirement Act into consonance with certain provisions of the Civil Service retirement system.

Public Law 91-93, approved October 20, 1969, made significant improvements in the benefits of the Civil Service retirement system. Contribution rates were increased also. The improvement in benefits includes using "high three" instead of "high five" for computing annuities, permitting accumulated sick leave to be added in the computation of annuities, adding 1 percent to cost-of-living adjustment for annuitants, making the remarriage provisions partially retroactive, and improving survivor benefits.

A number of key features in the CIA Retirement Act, as passed in 1964, were adopted from provisions of law then applicable to Civil Service retirees. These features included the provisions amended by P. L. 91-93.

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We would appreciate early and favorable consideration of the proposed bill. The Bureau of the Budget has advised that there is no objection to presenting the proposed bill to the Congress from the standpoint of the Administration's program.

Sincerely,

Richard Helms
Director

Enclosure